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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001355

SIPDIS

STATE FOR EAP/MLS; PACOM FOR FPA

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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [SENV](#) [BM](#) [CACs](#)

SUBJECT: TOURISM IN BURMA DOWN THIS SEASON

Classified By: Econoff TLManlowe for reasons 1.4 (b,d)

11. (SBU) Summary: Projected tourist arrivals for Burma's November-March high season have dropped from last year. Despite the regime's and the tourism industry's efforts to make vacationing in Burma more attractive and less bureaucratic, overseas campaigns by exiles to discourage travel to Burma, coupled with the GOB's clumsy marketing and the logistical difficulties of traveling in a wholly cash economy, still keep many tourists away. Corruption and bureaucracy constrain private tour companies. Burma offers rich tourism potential, but until it has decent governance, the potential will not be realized End Summary.

12. (SBU) On November 17, the general managers of Rangoon's top hotels and travel agencies met with econoff and conoff for a briefing on our American Citizen Services, and about the effect of sanctions on their American tourist clients. The GMs said that reservations were down about 3 to 4 percent from last year. All of the hotel general managers complained about the negative impact of U.S. sanctions on their businesses, but acknowledged they had learned to live with the difficulties, and they expressed appreciation for the briefing.

13. (U) According to official GOB statistics, there were 650,000 tourist arrivals in 2004. This figure is inflated by over 400,000 visitors who cross into Burma on day trips from Thailand and China, and who spend little money while here. The GOB has mounted campaigns to attract tourists, particularly through the Myanmar Marketing Committee, a group of expatriate hotel managers with good connections to the current regime. Their efforts include overseas websites that allow visitors to book their rooms using credit cards, which reduces the need for tourists to carry large amounts of cash, and bypasses U.S. restrictions on the transfer of financial services.

14. (U) The Ministry of Hotels and Tourism claims that 250,000 international travelers arrive at Rangoon airport annually, less than 2% of Thailand's annual visitor totals and less than 10% of Vietnam's numbers. This figure also inflates actual tourists arrivals because it counts every international arrival at Rangoon's airport, which includes business and diplomatic travelers.

The Americans: More Students, Fewer Wealthy Retirees

15. (SBU) According to official figures, Americans constitute approximately 16,000 tourists each year. That number may show an increase in 2005 because 750 students and teachers from the Semester-At-Sea program visited Burma for a week in November during the ship's maiden port call in Rangoon. Half of the guests who stay at the country's most expensive hotel, the historic Strand in downtown Rangoon, are Americans, according to the General Manager (who admits an occupancy rate of 10-20%). Tour operators who handle American clients describe the average US tourist as older, professional or retired, and wealthy. When asked why they come, a tour operator said most answer, "I've always wanted to come to Burma, and now, finally can."

16. (SBU) Some of the most prestigious American travelers visit Burma on tours organized by the Smithsonian Institution, the NY Museum of Natural History and Stanford University Alumni. These three groups will not come to Burma this season. Pressure on these institutions from anti-Burma groups in the U.S. forced them to cancel their planned trips, according to the directors of New Horizons, the local travel agency that handled these groups in the past.

Taxing Travel

17. (SBU) Along with natural gas, gem and timber exports, tourism is one of the few Burmese industries that brings in coveted hard currency, but the GOB has taken minimal steps since its failed "Visit Myanmar Year 1996" campaign to develop the sector further. For example, private travel firms must cover all costs for GOB officials to represent the country at tourism promotion events overseas. Tour company expenses are also high. The government takes 7% of gross payments from foreigners as tax, plus an additional 30% profit tax, making it difficult for tour companies to survive, especially since most already operate with slim

profit margins and face rising inflation.

18. (C) Official GOB permits are needed to take tourists to some sites, such as Mount Victoria in southern Chin State, and also for tour operators to travel abroad for their work. Tourism industry reps recounted their repeated difficulties in getting the permits. A certificate showing current tax payments is necessary, and, in order to get them, tour operators must often bribe tax officials to accept their tax returns and payments and to issue the required paperwork. Some tour operators try to speed the process by making advance tax payments, which requires payment of another "fee". The Deputy Minister of Hotels and Tourism must also approve all permits, and since he recently moved to the new administrative capital in Pyinmana, tour agents communicate with him by fax, (with a Rangoon exchange number). "Please contact me," he told one travel agency. "I have nothing else to do up here."

The GOB Rarely Listens to Business

19. (SBU) In a very rare instance of the GOB responding to the needs of its own private sector, we learned from the industry that the GOB recently postponed plans to upgrade the airport runway at Ngapoli, Burma's leading beach resort town, in January 2006, at the peak of tourist season. The GOB had allocated \$10,000 in this year's budget for the repairs, and the project has to be completed by March 31, the end of the fiscal year. Tourism industry representatives, working through the Tourism Ministry, persuaded the government that it would lose ten times as much in tax revenue if the airport were closed in peak season. The GOB agreed to delay the work until late February. However, the tourist agencies also emphasized that this incident reflected the general ignorance of officials of how the tourism industry works with packages planned well in advance. Last minute official announcements with no advance consultations hinder agencies' ability to plan reliable itineraries for their clients.

The Green Pot Of Gold

10. (SBU) Despite environmental stresses of excessive logging, unregulated development and encroachment into preserved areas, much of Burma remains undeveloped and offers significant eco-tourism potential. Ten years ago, hoping to attract foreign investment, the GOB opened fifteen of the nation's nature reserves and wildlife preservation areas to eco-tourism development. To date the eco-tourism projects are modest, but relatively successful, attracting wealthy visitors from both the West and Japan. A group of environmentalists, business reps, academicians and scientists has formed a new association to ensure that eco-tourism development benefits the local communities and does not destroy the environment. The chairman of a leading environmental NGO surmised that the GOB doesn't really want foreigners in the country at all, just the hard currency they bring along.

Comment: Good Governance A Prerequisite

11. (SBU) Burma has enormous potential for cultural, historic, religious, recreational, scientific and environmental tourism, but the regime's corruption, repression and negative image discourage tourists. We see little likelihood that Burma can realize its rich potential for tourism, along with economic development in general, until it has decent governance. End comment.

VILLAROSA